Board Action Bulletin

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NCUA BOARD MEETING RESULTS FOR OCT. 27, 2011

NCUA Board Cuts Red Tape, Enhances Access for Community Development Loans

ALEXANDRIA, Va. (Oct. 27, 2011) – The National Credit Union Administration (NCUA) Board convened its eleventh open meeting of 2011 at the agency's headquarters here today and unanimously approved a final rule to cut red tape and enhance credit union access to the Community Development Revolving Loan Fund.

The Board also received updates on the performance of the National Credit Union Share Insurance Fund (NCUSIF) and the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund). The NCUSIF equity ratio at the end of September stood at 1.31 percent, remaining steady from August. The Stabilization Fund's net position increased $2 billion over the last month.

Board Streamlines Community Development Loan Process

In an effort to encourage more low-income credit unions to apply for below-market-rate loans from NCUA, the Board issued a final rule (Part 705) that will lessen regulatory burdens, eliminate outdated procedures, and advance transparency with respect to loans and technical assistance from the Community Development Revolving Loan Fund. Overall, the rule greatly streamlines operating requirements and improves the fund's administrative flexibility.

Specific examples of the beneficial changes to Part 705 include:

- Application simplified: no community needs plan required;
- Maximum amount of a single loan increased to exceed $300,000 in certain circumstances;
- No mandatory matching requirement;
- Potential for lower interest rate;
- Clear regulation: more details were added to Notice of Funding Opportunity rather than to the regulation;
- New option to fund credit unions' urgent needs; and
- Flexible repayment of loan principal.

The final rule is essentially the same as the proposed rule issued in May, with minor modifications based on comment letters. NCUA anticipates the rule will result in increased loan demand due to reduced burdens on participating credit unions, thereby enhancing the provision of financial services for low-income households.

The rule improves definitions, clarifies eligibility requirements, adds examples of how loans from this fund can be used, and significantly simplifies the current rule. Most significantly, the rule removes the requirement that NCUA charge an interest rate between 1 and 3 percent APR. The Board intends this change to provide flexibility to charge below-market APR no matter how low or how high the prevailing rates move in the future. The final rule also better details the application and award processes, and post-award reporting requirements.

The final rule will become effective 30 days after publication in the *Federal Register*.

NCUSIF and Stabilization Fund: Financial Conditions Steadily Improving

The NCUSIF equity ratio stood at 1.31 percent for Sept. 30, 2011. This ratio is calculated on an insured share base of $782.4 billion at June 30, 2011. The equity ratio will be recalculated at year end based upon the insured share base as of Dec. 31.

The NCUSIF ending reserve balance was $998.5 million. This figure included $22.5 million in reserves for specific natural-person credit unions, and $976.0 million in non-specific reserves. Insurance loss expense was $217,000 during September.

Gross income for September was $18.4 million, with expenses of $14.8 million, resulting in net income of $3.6 million. Cumulative net income for the year is $230.7 million.

Thirteen credit unions have failed thus far in 2011 at a cost to the NCUSIF of $45.8 million.

As of September, 384 federally insured credit unions with assets of $33.9 billion and shares of $30.4 billion had CAMEL code 4 or 5 designations. Additionally, 1,777 CAMEL code 3 credit unions had assets of $146.1 billion and shares of $129.8 billion. Overall, approximately 18 percent of all credit union assets were in CAMEL code 3, 4 or 5 institutions. The percentage of assets in CAMEL code 1 and 2 credit unions has increased slightly in each of the past seven months, topping 82 percent as of Sept. 30.

The Stabilization Fund recorded revenue of $1.96 billion from the special premium assessment in September. Total liabilities and net position stood at approximately $8 billion at the end of September, about $2 billion higher than the end of August. The Stabilization Fund has $3.5 billion in outstanding U.S. Treasury borrowings.

Financial data reported in 2011 for both the NCUSIF and the Stabilization Fund are preliminary and unaudited.

All open NCUA Board meetings are tweeted live. Follow @TheNCUA on Twitter. Board Action Memorandums and NCUA rule changes are available online at www.ncua.gov.